

# Financial Status Report

Prepared by the Finance Department



January 31, 2016

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through January 31, 2016. It compares revenues and expenditures for the first seven months of Fiscal Year 2015-16 and Fiscal Year 2014-15. In addition, the financial status of the Water and Wastewater Enterprises are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

## San Diego County Economic Indicators

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

<div>December 2015</div> <div><div>Up 0.20%</div></div> <div>Index of Leading Economic Indicators</div>	<div><div>Down 0.81%</div></div> <div>Local Stock Prices</div> <div><div>Down 0.21%</div></div> <div>Local Consumer Confidence</div>
<div><div>Up 1.09%</div></div> <div>Building Permits</div>	<div><div>Up 1.24%</div></div> <div>Help Wanted Advertising</div>
<div><div>Up 0.19%</div></div> <div>Unemployment Insurance</div>	<div><div>Down 0.32%</div></div> <div>National Economy</div>

Source: University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators*, February 4, 2016.

### According to the USD Index of Leading Economic Indicators Report:

The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County rose 0.7 percent in November and 0.2 percent in December. November saw every component rise with the exception of consumer confidence. Of the positive components, building permits, initial claims for unemployment insurance, help wanted advertising, and the outlook for the national economy all registered solid gains. Results were more mixed in December, with advancing and declining components even at three apiece. Sharp increases in building permits and help wanted advertising were enough to push the Index to a third consecutive gain to end 2015.

The previous report indicated that the USD Index was unchanged in October. Revisions in building permits and the outlook for the national economy changed that to a gain, which broke a stretch of three consecutive monthly decreases in the USD Index. The gains reinforced the view that the declines in the Index from July to September suggested a slowing of growth in the local economy as opposed to a downturn. The forecast is for 35,000 jobs to be added locally in 2016, with the unemployment rate dropping to 4.5 percent. That would be the fifth consecutive year of 30,000+ job growth in San Diego County.

Residential units authorized by building permits closed the year on a strong note, with four straight months of at least 800 units authorized. A total of 9,911 residential units were authorized in 2015, which was up 50 percent compared to 2014 and the most authorized since 2005. There was strength in both single-family and multi-family units authorized, with the former up 43 percent and the latter up 54 percent for the year. Both labor market components reversed their negative trends in November. In that month, initial claims for unemployment insurance dropped to their lowest level since November 2006, while help wanted advertising hit its highest level since April 2008. The net result was that the seasonally adjusted local unemployment rate ended the year at 5.0 percent, which was up from 4.9 percent in November but down from 5.9 percent in December 2014. After a couple of months of being one of the few positive components, consumer confidence turned downward in November. Possible reasons for that include mixed news on the economic front and tension internationally, including the possibility of a terrorist attack. Like the broader market indexes, local stock prices had a down year. Local stocks fell 2.6 percent in 2015, compared to drops of 2.2 percent, 0.7 percent, and 5.4 percent for the Dow Jones Industrial Average, the S&P 500 Index, and the NASDAQ Composite Index. The national Index of Leading Economic Indicators finished a mixed year on the downside in December. The national economy seems to have strength as far as the labor market is concerned, with 200,000 – 300,000 jobs being generated each month and the unemployment rate at 5 percent. Where things are slow is in the growth of the Gross Domestic Product (GDP). The "advance" estimate of GDP growth for the fourth quarter of 2015 was 0.7 percent compared to 0.6, 3.9, and 2.0 percent respectively in the first three quarters.<sup>1</sup>

## General Fund Revenues

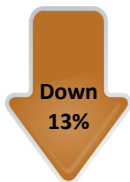


**Property Taxes (\$32.3 million)** – In December, the city began to see a much larger flow of property tax revenues. Property taxes reflect a 5 percent increase over Fiscal Year 2014-15. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have increased by 5.48 percent for Fiscal Year 2015-16. This is the third year in a row that Carlsbad's assessed values have increased from year to year, and in line with assessed value increases with other cities in San Diego County. This reflects continued improvement in the housing market and new construction. The increase in this year's assessed values was due to a large increase in the assessed value of commercial properties in the city; the city saw smaller increases in residential and industrial property values for the year. This is the first year, since the Great Recession began, that the city saw increases in assessed values in all three property components (residential, commercial and industrial).

<sup>1</sup> University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Up in November and December*, February 4, 2016.

The primary reasons that property taxes for the first seven months of the fiscal year have increased by 5 percent as compared to the prior fiscal year are:

- Current taxes are up by \$1.5 million (or 5.6 percent) due to an increase in assessed values.
- Aircraft taxes are down by \$81,000 due to a reduction in commercial airline traffic at the McClellan-Palomar Airport.
- Supplemental taxes are down by \$20,000 due to a decrease in property resales and reassessments throughout the county.
- Payments for previous years' taxes are down by \$7,000 due to a decrease in the collection of past due tax bills.
- Unitary taxes are up by \$15,000 due to higher assessed values.
- Property taxes received from the former village redevelopment area (RDA) are up by \$55,000 due to a loan repayment received by the former RDA. This loan repayment reduced the amount of ROPS revenue distributed to the city's former RDA (non-General Fund revenue) and increased the amount of property tax revenues distributed to the city's General Fund (regular property taxes).



**Sales Taxes (\$16.1 million)** – For the first seven months of the fiscal year, sales tax revenues are \$2.4 (or 13 percent) lower than the same time period in the previous fiscal year. Sales tax revenues for the year represent the actual sales tax receipts for the second quarter of the calendar year (up by 0.1 percent), the third quarter of the calendar year (down by 0.4 percent), the first two advances of the city's fourth calendar quarter of 2015 sales tax revenues, and the first of three "Triple Flip" payments from the State Board of

Equalization (SBOE). The small increase for the first quarter and small decrease for the second quarter are based on reporting errors that were made in the previous year for the respective quarters, by a large manufacturing company in the city. The city has set aside the overpayments made last year since this company has been asked to file amended tax returns with the State Board of Equalization for these quarters. Without these reporting errors, the city would have reflected a 5 percent increase in sales tax revenues for the second calendar quarter of the year and a 4.5 percent increase for the third calendar quarter.

The "Triple Flip" payment received in January 2016 was \$2.9 million less than the payment received in January 2015. This is a timing difference that will occur again in May 2016. Unlike previous fiscal years, the city will be receiving three "Triple Flip" payments for Fiscal Year 2015-16 versus two payments received in previous fiscal years. The third payment will be received in August 2016 and accrued back to the current fiscal year. The August payment will be the last of the "Triple Flip" payments as the State has paid off their bonds related to the "Triple Flip". Therefore, beginning in March 2016, the city will begin seeing 100 percent of their monthly sales tax advances versus the 75 percent allocation that occurred during the period that the "Triple Flip" was in place.

For sales occurring in the third calendar quarter of 2015 (the most recent data available), key gains were seen in new auto sales, restaurants, building materials – wholesale, office equipment and leasing. During the same period, key declines were seen in chemical products, service stations, furniture/appliance and light industry. The largest economic segments in the city continue to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 69 percent of the city's sales tax revenues.



**Transient Occupancy Tax (\$12.9 million)** – Transient Occupancy Taxes (TOT) for the first seven months of the fiscal year reflect an increase of \$1.1 million, 10 percent more than the previous year. Higher occupancy and room rates throughout most of the city's other hotels contributed a majority of the increase. Several new hotels have also opened recently; a new 133-room property (Holiday Inn) opened in March 2015, a 100-room property (Fairfield Inn & Suites) opened in April 2015, and a 106-room property (StayBridge Suites) opened in May 2015. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of December 2015.

Currently, there are 4,400 hotel rooms and 1,078 vacation rentals in the city. The average occupancy of hotel rooms over the most recent 12 months has been 70 percent, one percentage point above last year's average.



**Income from Investments and Property (\$2.4 million)** – For the first seven months of the fiscal year, income from investments and property is up \$440,000 compared to the previous fiscal year.

Interest income is up \$336,000 for the year, due to the net effect of a 17.2 percent increase in the average daily cash balance combined with a 7.4 percent increase in the average yield on the portfolio for the year (an increase in the yield from 1.065 percent last fiscal year to 1.144 percent in the current fiscal year). In addition, \$112,000 was received from the Department of Finance (DOF) for interest earned on unpaid mandated costs, recently paid to the city, for costs incurred prior to 2004.

Income from property sales and rentals is up by \$104,000 for the year, primarily due to the sale of used park maintenance equipment; and increased pool lane rentals, park rental fees, and park facility rentals. These increases were partially offset by decreases in safety training center rentals and facility rentals at the city's libraries (due to the remodeling currently underway).



**Development Related Revenues (\$2.3 million)** – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a moderate increase for the first seven months of the fiscal year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities, such as plan checks and inspections. Engineering plan check fees are one of the first fees paid during the initial stages of development. Some of the activity in January included residential development at Quarry Creek, the State Street townhomes, the Valley Street subdivision, and the Garfield custom beach homes; and commercial/industrial development at the new Floral Trade Center, One Carlsbad Research Center, and Carlsbad Oaks North lot 13.

Another source of development related revenue is building permits, which are down 3 percent compared to last fiscal year. The decrease in building permit revenue is derived from the combination of an increase in the valuation of new construction, a decrease in residential permitting activity, partially offset by an increase in commercial/industrial permitting activity to date. The year-to-date valuation of new construction in the current fiscal year is \$117.2 million, while it was \$108.2 million in the previous fiscal year, an 8.3 percent increase. The pace of residential activity declined during January with seven permits being issued for residential homes. All activity occurred in the northwest quadrant. Three single-family homes will be constructed as part of the Lanai project along Esmat Way. In addition, four homes will be constructed as part of The Enclave development on Lido Place. For the current fiscal year, 71 residential permits have been issued, as compared to 156 permits issued during the same period last year.

During the month of January, three permits were issued for non-residential activity. Saint Patrick Parish School was issued a permit to remodel the school campus (16,498 square feet). Permits were issued for two spec buildings totaling 113,380 square feet in Bressi Ranch. Year-to-date, there has been 280,403 square feet of commercial/industrial permits issued, as compared to 61,198 square feet of commercial/industrial permits issued during the same period last year.



**Business License Tax (\$2.2 million)** – Business license revenues are up \$75,000 compared to the same time period in Fiscal Year 2014-15. This is due to a combination of items. First, there are four new, larger businesses in the city. Second, there is a payment timing difference; one of the city's larger businesses paid its license fee earlier this year than last year. Finally, overall business volumes of companies are up over the prior fiscal year.

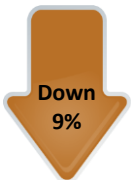


There are currently 9,685 licensed businesses operating within the city, 151 more than the prior year. The majority of taxed businesses (6,559 businesses) are located in Carlsbad, with 2,506 of these businesses home-based.



**Franchise Taxes (\$2.1 million)** – Franchise taxes are generated from public utility sources, such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Year-to-date franchise taxes are \$36,000 higher than the same period last year. Cable television franchise revenues (Time Warner and AT&T) are up by \$30,000. Additional pay-per-view sales, local advertising and equipment rental sales have led to this increase. An increase in trash collection revenue due to more commercial accounts coming online from additional development in the city, led to a \$19,000 increase in trash franchise revenues. A timing difference in the receipt of the quarterly fiber optic antenna system franchise payments has created a negative \$13,000 variance in the current fiscal year.

Approximately 38 percent of the total franchise tax revenue anticipated for the year will be collected from SDG&E during the month of April 2016.

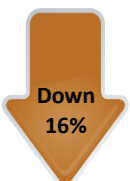


**Interdepartmental Charges (\$1.9 million)** – Interdepartmental charges are \$179,000, or 9 percent lower than last year. These charges are generated through engineering services charged to capital projects (up 108 percent, or \$361,000) due to a focus on the acceleration of completing projects in the city's Capital Improvement Program (including the hiring of additional engineers); reimbursed work from other funds (flat); and miscellaneous interdepartmental expenses charged to funds outside the General Fund

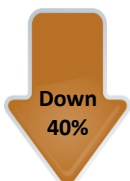
for services performed by departments within the General Fund (down 31 percent or \$540,000), the result of an updated cost allocation plan.



**Recreation Fees (\$1.9 million)** – Recreation fees are generated through instructional classes, camps, youth and adult sports, special events, parent participation preschool, senior programs, and various aquatic programs. Recreation revenues are up by 3 percent compared to last fiscal year due to higher participation in recreation programs; particularly, aquatic programs at the Alga Norte Aquatic Center remain especially strong.



**Ambulance Fees (\$1.3 million)** – The city bills any individual who is transported in one of the city's ambulances. Through January 2016, receipts from ambulance fees are down 16 percent, or \$251,000, lower than last fiscal year at this time. This is due predominantly to fewer billable transports than the previous year, the result of a timing difference that is currently being resolved, as well as a decrease in services supplied. The number of billable transported patients in the first seven months of Fiscal Year 2015-16 (2,460) versus Fiscal Year 2014-15 (2,585) has decreased modestly due to this timing difference.



**Other Revenue Sources (\$731,000)** – Other revenue sources have decreased by \$492,000 and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, right-of-ways, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; and miscellaneous reimbursed expenses and refunds of prior year fees. The primary drivers in the decrease in the current fiscal year was the first insurance reimbursement received by the city for damages incurred during the 2014 Poinsettia Fire as well as a reversal of a large, prior period refund that was no longer required, both occurring in the previous fiscal year.



**Transfer Taxes (\$710,000)** – When real property is sold, the County Assessor's Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The city receives 50 percent of the transfer tax charged for sales within the City of Carlsbad. Year-to-date revenues have increased significantly, reflecting continued strength in the real estate resale market and the sale of the former Westfield shopping center and several other commercial properties.



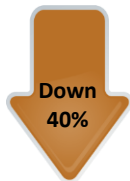
**Other Licenses and Permits (\$638,000)** – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity. The decrease from last fiscal year is due to the construction of the desalination pipeline at this time last year that impacted the city's encroachment fee revenues.



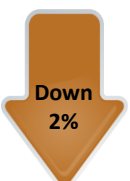
**Fines and Forfeitures (\$485,000)** – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The increase to date represents an increase in moving violations and miscellaneous fines, partially offset by a decrease in parking citations and overdue fines for the first seven months of the fiscal year. The decrease in overdue fines can partially be explained by the current library remodeling projects.



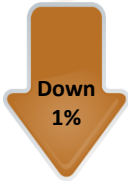
**Other Intergovernmental Revenues (\$373,000)** – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$373,000 received this year are Police Officer Standard Training (POST) reimbursements, Department of Justice vice/narcotics overtime reimbursements, an adult learning grant, a Eureka Leadership Grant, state mandated cost reimbursements, senior nutrition grants, a Narcotics Task Force (NTF) overtime reimbursement, an SDG&E grant for sunhats for CERT volunteers, school resource officer reimbursements, OES (Office of Emergency Services) reimbursements for the 2014 Poinsettia Fire, reimbursement for a state corrections realignment plan (AB109), a paramedicine grant, and solar rebates from the Center for Sustainable Energy (Alga Norte Park solar project).



**Other Charges or Fees (\$332,000)** – Other charges and fees are generated through the sale of city documents, such as agenda bills, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services, such as mutual aid response, mall police services, emergency response services, reports, etc. Small decreases in fire inspection fees and audio/visual insurance fees, combined with a large decrease in fire mutual aid response reimbursements for the first seven months of the fiscal year, account for the variance to date.



**Homeowners' Exemptions (\$174,000)** – When property taxes are calculated on a particular parcel of property, the first \$7,000 of property value is excluded from the property tax calculation. The state then reimburses the city for this mandated exemption. This reimbursement is entitled Homeowners' Exemption revenue and is shown under intergovernmental revenues.



**Vehicle License Fees (\$45,000)** – Although the city is no longer receiving vehicle license fee (VLF) revenues from the state, the revenues received in the current fiscal year represent a retroactive clean-up payment received by the city for prior fiscal years.

## Expenditures

Total General Fund expenditures and encumbrances through the month of January 2016 are \$92 million, compared to \$82.5 million at the same time last year. This leaves \$75.1 million, or 45 percent, available through the fiscal year ending June 30, 2016. If funds were spent in the same proportion as the previous year, the General Fund would have 46.7 percent available. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at January 31, 2016 is 42.4 percent, less than the 44.9 percent available at January 31, 2015. A payroll timing difference has created this difference in the percentage available at January 31, 2016. This timing difference will not be a factor by the end of February 2016.

The adopted General Fund budget for Fiscal Year 2015-16 increased by \$10.7 million due to the following factors:

- Increased personnel costs:
  - \$2.1 million in additional salary costs associated with previously negotiated wage increases as well as the net addition of 4.5 full-time staff and 1.74 part-time staff
  - \$1 million in additional retirement costs due to PERS rate increases and higher salaries
  - Increased health insurance and workers' compensation rates
  - Amended hourly salary schedules for part-time employees
- Increased maintenance and operations costs (increase of \$3 million):
  - Increased information technology and fleet internal service funds to address current and future funding requirements of these internal service funds
  - General inflationary adjustments
  - Costs associated with succession planning
  - Expenditure enhancements (Faraday front counter improvements; contractual increases; recodification and republication of the city's Municipal Code; enhancements for the Pay for Performance and Performance Management model; training, repair and replacement for protective gear; arts and cultural development plan; various library and cultural arts enhancements; additional grounds maintenance; new Alga Norte concessions program; etc.)
  - "Out-of-block" increases (internal service fund charges, election expenses, ambulance collection fees, bank fees, animal control, weed abatement, plan check services, recreation class instructors, land management and street lighting costs)
- Increased capital outlay costs including the regional communications system radios (\$1.5 million)
- Increased operating transfers out of the General Fund:
  - a one-time \$1 million transfer to the city's Workers' Compensation Fund to assist with fully funding the actuarially determined workers' compensation claims liability
  - an increase in the transfer to the Infrastructure Replacement Fund due to the projected higher General Fund revenues (the transfer represents 6.5 percent of the projected General Fund revenues for the year)

## Council Contingency

The City Council has allocated \$1.5 million out of the General Fund budget for unanticipated emergencies or unforeseen program needs. As of January 31, 2016, \$849,184 has been authorized out of the contingency account as shown in the chart below.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
<b>ADOPTED BUDGET</b>	\$1,500,000		
<b>USES:</b>			
In-kind Services for the Swami Athletic Association's Carlsbad Grand Prix	(6,033)	07/14/2015	2015-187
Winning Teams Grant for the Carlsbad Softball Association Dream Team	(2,405)	08/06/2015	City Manager
Community Spirit Grant for the Carlsbad High School Lancer Day Parade	(1,200)	09/30/2015	City Manager
Community Spirit Grant for the Carlsbad Christmas Bureau	(2,000)	09/30/2015	City Manager
Community Spirit Grant for the Rotary Club of Carlsbad's Veterans Day Parade	(117)	11/10/2015	City Manager
Community Spirit Grant for the Fiesta de Navidad Event	(374)	11/19/2015	City Manager
Winning Teams Grant for the Carlsbad High School Lancers Dancers Team	(4,868)	12/07/2015	City Manager
Winning Teams Grant for the La Costa Canyon Mavericks Junior Midget Cheer Team	(5,000)	12/14/2015	City Manager
Winning Teams Grant for the La Costa Canyon Pop Warner Junior Pee Wee Cheer Team	(5,000)	12/14/2015	City Manager
Special Events Grant for the Carlsbad Christmas Bureau	(1,876)	12/15/2015	City Manager
Winning Teams Grant for the Carlsbad High School Xcalibur Dance Team	(5,190)	12/15/2015	2015-307
Agua Hedionda South Shore Specific Plan Election and Related Costs	(650,000)	12/15/2015	2015-303
Community Spirit Grant for the Sage Creek Hoopcoming Parade	(121)	12/16/2015	City Manager
City Manager Employment Agreement	<u>(165,000)</u>	01/12/2016	2016-011
<b>TOTAL USES</b>	<u>(849,184)</u>		
<b>AVAILABLE BALANCE</b>	<u><u>\$650,816</u></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.



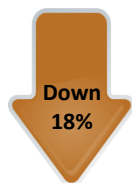
GENERAL FUND REVENUE COMPARISON					
	EXPECTED BUDGET AS OF 01/31/16	ACTUAL FY 2015 AS OF 01/31/15	ACTUAL FY 2016 AS OF 01/31/16	CHANGE FROM YTD 2015 TO YTD 2016	PERCENT CHANGE
<b>TAXES</b>					
PROPERTY TAX	\$32,013,964	\$30,751,067	\$32,254,382	\$1,503,315	5%
SALES TAX	19,339,399	18,428,425	16,067,557	(2,360,868)	-13%
TRANSIENT OCCUPANCY TAX	11,422,111	11,802,709	12,948,425	1,145,716	10%
FRANCHISE TAX	1,925,143	2,068,909	2,105,283	36,374	2%
BUSINESS LICENSE TAX	2,129,274	2,142,928	2,217,886	74,958	3%
TRANSFER TAX	367,522	469,439	709,773	240,334	51%
<b>TOTAL TAXES</b>	<b>67,197,415</b>	<b>65,663,477</b>	<b>66,303,306</b>	<b>639,829</b>	<b>1%</b>
<b>INTERGOVERNMENTAL</b>					
VEHICLE LICENSE FEES	0	45,148	44,647	(501)	-1%
HOMEOWNERS EXEMPTIONS	177,484	177,671	174,458	(3,213)	-2%
OTHER	144,077	341,697	372,897	31,200	9%
<b>TOTAL INTERGOVERNMENTAL</b>	<b>321,560</b>	<b>564,516</b>	<b>592,002</b>	<b>27,486</b>	<b>5%</b>
<b>LICENSES AND PERMITS</b>					
BUILDING PERMITS	172,771	555,816	537,761	(18,055)	-3%
OTHER LICENSES & PERMITS	494,747	799,075	637,765	(161,310)	-20%
<b>TOTAL LICENSES &amp; PERMITS</b>	<b>667,518</b>	<b>1,354,891</b>	<b>1,175,526</b>	<b>(179,365)</b>	<b>-13%</b>
<b>CHARGES FOR SERVICES</b>					
PLANNING FEES	129,685	495,184	405,673	(89,511)	-18%
BUILDING DEPARTMENT FEES	240,040	427,332	607,007	179,675	42%
ENGINEERING FEES	369,217	572,661	738,788	166,127	29%
AMBULANCE FEES	1,407,853	1,536,001	1,285,087	(250,914)	-16%
RECREATION FEES	1,785,705	1,819,921	1,882,496	62,575	3%
OTHER CHARGES OR FEES	327,766	551,379	332,262	(219,117)	-40%
<b>TOTAL CHARGES FOR SERVICES</b>	<b>4,260,266</b>	<b>5,402,478</b>	<b>5,251,313</b>	<b>(151,165)</b>	<b>-3%</b>
<b>FINES AND FORFEITURES</b>	<b>431,914</b>	<b>439,203</b>	<b>485,468</b>	<b>46,265</b>	<b>11%</b>
<b>INCOME FROM INVESTMENTS &amp; PROPERTY</b>	<b>1,559,796</b>	<b>1,929,662</b>	<b>2,370,148</b>	<b>440,486</b>	<b>23%</b>
<b>INTERDEPARTMENTAL CHARGES</b>	<b>1,469,952</b>	<b>2,080,822</b>	<b>1,901,886</b>	<b>(178,936)</b>	<b>-9%</b>
<b>OTHER REVENUE SOURCES</b>	<b>637,676</b>	<b>1,222,931</b>	<b>731,341</b>	<b>(491,590)</b>	<b>-40%</b>
<b>TRANSFERS IN</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>0</b>	<b>0%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$76,556,097</b>	<b>\$78,667,980</b>	<b>\$78,820,990</b>	<b>\$153,010</b>	<b>0%</b>
(1)					
(1) Calculated General Fund revenues are 3% above estimates as of January 31, 2016.					

GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT				
DEPT DESCRIPTION	TOTAL BUDGET FY 2015-16	AS OF 01/31/16		
		AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE (c)
<b>POLICY/LEADERSHIP GROUP</b>				
CITY COUNCIL	\$507,160	\$258,377	\$248,783	49.1%
CITY MANAGER	2,304,531	1,033,951	1,270,580	55.1%
COMMUNITY OUTREACH AND ENGAGEMENT	1,606,598	1,046,862	559,736	34.8%
CITY CLERK	703,342	354,142	349,200	49.6%
CITY ATTORNEY	1,611,121	840,716	770,405	47.8%
CITY TREASURER	257,947	118,459	139,488	54.1%
<b>TOTAL POLICY/LEADERSHIP</b>	<b>6,990,699</b>	<b>3,652,507</b>	<b>3,338,192</b>	<b>47.8%</b>
<b>ADMINISTRATIVE SERVICES</b>				
FINANCE	5,378,414	2,849,502	2,528,912	47.0%
HUMAN RESOURCES	3,520,652	2,229,875	1,290,777	36.7%
RECORDS MANAGEMENT	345,146	163,731	181,415	52.6%
<b>TOTAL INTERNAL SERVICES</b>	<b>9,244,212</b>	<b>5,243,108</b>	<b>4,001,104</b>	<b>43.3%</b>
<b>PUBLIC SAFETY</b>				
POLICE	33,357,561	18,447,870	14,909,691	44.7%
FIRE	20,826,814	12,551,850	8,274,964	39.7%
<b>TOTAL PUBLIC SAFETY</b>	<b>54,184,375</b>	<b>30,999,720</b>	<b>23,184,655</b>	<b>42.8%</b>
<b>COMMUNITY DEVELOPMENT</b>				
COMMUNITY AND ECONOMIC DEVELOPMENT	11,233,735	6,642,662	4,591,073	40.9%
HOUSING AND NEIGHBORHOOD SERVICES	933,906	533,823	400,083	42.8%
<b>TOTAL COMMUNITY DEVELOPMENT</b>	<b>12,167,641</b>	<b>7,176,485</b>	<b>4,991,156</b>	<b>41.0%</b>
<b>COMMUNITY SERVICES</b>				
PARKS AND RECREATION	17,405,470	10,393,889	7,011,581	40.3%
LIBRARY AND CULTURAL ARTS	13,749,944	7,345,685	6,404,259	46.6%
<b>TOTAL COMMUNITY SERVICES</b>	<b>31,155,414</b>	<b>17,739,574</b>	<b>13,415,840</b>	<b>43.1%</b>
<b>PUBLIC WORKS</b>				
PUBLIC WORKS ADMINISTRATION	2,430,272	1,082,279	1,347,993	55.5%
ENVIRONMENTAL MANAGEMENT	561,575	289,744	271,831	48.4%
PROPERTY AND FLEET MANAGEMENT	7,265,329	4,222,843	3,042,486	41.9%
TRANSPORTATION	10,077,625	6,867,382	3,210,243	31.9%
<b>TOTAL PUBLIC WORKS</b>	<b>20,334,801</b>	<b>12,462,248</b>	<b>7,872,553</b>	<b>38.7%</b>
<b>NON-DEPARTMENTAL &amp; CONTINGENCY</b>				
OTHER NON-DEPARTMENTAL (a)	20,280,237	2,831,345	17,448,892	86.0%
TRANSFERS OUT	12,071,530	11,861,795	209,735	1.7%
CONTINGENCY	650,816	0	650,816	100.0%
<b>TOTAL NON-DEPT &amp; CONTINGENCY</b>	<b>33,002,583</b>	<b>14,693,140</b>	<b>18,309,443</b>	<b>55.5%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$167,079,725</b>	<b>\$91,966,782</b>	<b>\$75,112,943</b>	<b>45.0%</b>
(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, 2014 citywide fires, and other items not attributed to a specific department.				
(b) Total committed includes expenditures and encumbrances.				
(c) Amount available would be 46.7% if funds were spent in the same proportion as the previous year.				

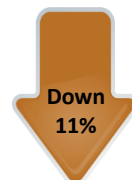
## Water Enterprise

WATER OPERATIONS FUND JANUARY 31, 2016					
	BUDGET FY 2015-16	YTD (*) 01/31/2015	YTD (*) 01/31/2016	CHANGE FROM YTD 2014-15 TO YTD 2015-16	PERCENT CHANGE
<b>REVENUES:</b>					
WATER DELIVERY	\$ 36,145,000	\$ 22,400,979	\$ 19,412,767	\$ (2,988,212)	-13.3%
MISC. SERVICE CHARGES	290,500	162,238	175,583	13,345	8.2%
PROPERTY TAXES	2,929,000	1,759,042	1,848,802	89,760	5.1%
FINES, FORFEITURES & PENALTIES	261,000	193,699	160,136	(33,563)	-17.3%
OTHER REVENUES	518,250	2,462,802	622,700	(1,840,102)	-74.7%
<b>TOTAL OPERATING REVENUE</b>	<b>40,143,750</b>	<b>26,978,760</b>	<b>22,219,988</b>	<b>(4,758,772)</b>	<b>-17.6%</b>
<b>EXPENSES:</b>					
STAFFING	3,710,723	1,785,130	2,099,635	314,505	17.6%
INTERDEPARTMENTAL SERVICES	2,229,560	1,252,934	1,294,469	41,535	3.3%
PURCHASED WATER	19,310,026	11,216,464	9,135,839	(2,080,625)	-18.5%
MWD/CWA FIXED CHARGES	6,418,659	3,495,025	3,552,707	57,682	1.7%
OUTSIDE SERVICES/MAINTENANCE	1,097,112	209,535	295,274	85,739	40.9%
DEPRECIATION/REPLACEMENT	3,630,000	2,116,571	2,117,500	929	0.0%
CAPITAL OUTLAY	26,755	29,940	18,082	(11,858)	-39.6%
MISCELLANEOUS EXPENSES	1,258,459	1,240,331	401,452	(838,879)	-67.6%
<b>TOTAL OPERATING EXPENSES</b>	<b>37,681,294</b>	<b>21,345,930</b>	<b>18,914,958</b>	<b>(2,430,972)</b>	<b>-11.4%</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ 2,462,456</b>	<b>\$ 5,632,830</b>	<b>\$ 3,305,030</b>	<b>\$ (2,327,800)</b>	<b>-41.3%</b>

(\*) Adjusted to reflect timing differences for water purchases and depreciation.

**Revenues**

- The decrease in water delivery revenues is the result of an average 5 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2015, offset by a 20 percent decrease in water sales during the first seven months of the fiscal year from drought conservation measures.
- Increased water conservation efforts have impacted fines, forfeitures and penalties as some of these fees are a function of water usage.
- The decrease in other revenues is the result of a prior year settlement check received for the Marbella lawsuit partially offset by the receipt of a pipe supplier class action lawsuit settlement check in the current fiscal year.

**Expenses**

- For Fiscal Year 2015-16, a total of 1.15 full-time positions have been reallocated from other programs to the Water Enterprise to better reflect each programs' workload. In addition, a timing difference has impacted year-to-date staffing expenses.
- A 1.9 percent rate increase in the variable cost of water purchased from the San Diego County Water Authority (SDCWA) netted with a 21.3 percent decrease in the amount of water purchased, represent the primary drivers in this variance. The decrease is primarily attributable to water conservation measures.
- Increased water conservation and water sampling services related costs have led to higher outside services/maintenance expenses.
- Replacement SCADA system servers and compaction tampers are the reasons for increased capital outlay expenses.
- Decreases in the automated meter reading program are the largest factor in the miscellaneous expenses variance.

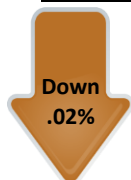
**Outlook**

The operating results for the Enterprise currently reflect a year-to-date gain of \$3.3 million. Lower water revenues due to water conservation measures and wetter weather, coupled with lower than anticipated expenses, predominantly a reduction in water purchases, have led to the gain for the year. Based on activity to date, it is projected that the Enterprise will have a surplus between \$1 and \$1.5 million by the end of the fiscal year.

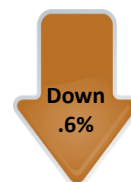
## Wastewater Enterprise

WASTEWATER OPERATIONS FUND					
JANUARY 31, 2016					
	BUDGET FY 2015-16	YTD (*) 01/31/2015	YTD (*) 01/31/2016	CHANGE FROM YTD 2014-15 TO YTD 2015-16	PERCENT CHANGE
<b>REVENUES:</b>					
CHARGES FOR CURRENT SERVICES	12,435,000	7,319,910	7,295,724	(24,186)	-0.3%
INTEREST	40,000	23,169	37,022	13,853	59.8%
OTHER REVENUES	305,000	170,712	179,859	9,147	5.4%
<b>TOTAL OPERATING REVENUE</b>	<b>12,780,000</b>	<b>7,513,791</b>	<b>7,512,605</b>	<b>(1,186)</b>	<b>0.0%</b>
<b>EXPENSES:</b>					
STAFFING	2,303,576	1,061,135	1,194,306	133,171	12.5%
INTERDEPARTMENTAL SERVICES	1,308,398	693,862	735,202	41,340	6.0%
ENCINA PLANT SERVICES	3,349,024	1,875,907	1,914,871	38,964	2.1%
OUTSIDE SERVICES/MAINTENANCE	582,260	233,772	215,989	(17,783)	-7.6%
DEPRECIATION/REPLACEMENT	4,225,000	2,654,167	2,464,583	(189,584)	-7.1%
CAPITAL OUTLAY	5,748	16,303	0	(16,303)	0.0%
MISCELLANEOUS EXPENSES	735,352	289,571	260,541	(29,030)	-10.0%
<b>TOTAL OPERATING EXPENSES</b>	<b>12,509,358</b>	<b>6,824,717</b>	<b>6,785,492</b>	<b>(39,225)</b>	<b>-0.6%</b>
<b>OPERATING INCOME/LOSS</b>	<b>270,642</b>	<b>689,074</b>	<b>727,113</b>	<b>38,039</b>	<b>5.5%</b>

(\*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.

**Revenues**

- The decrease in charges for current services is the result of drought conservation measures by commercial and industrial customers that are billed based on water usage. The decrease was tempered by a 2 percent rate increase that went into effect in January 2015.
- Cash balances in the fund have increased from last year by 97.5 percent, impacting interest earnings for the year.
- The increase in other revenues is driven primarily by the engineers within the Enterprise charging more of their time to capital improvement projects.

**Expenses**

- For Fiscal Year 2015-16, a total of 0.4 full-time positions have been reallocated to the Wastewater Enterprise from other programs to better reflect each program's workload. In addition, a timing difference has impacted year-to-date staffing expenses.
- Increased interdepartmental charges are the result of updated internal service chargeback calculations.
- Encina plant services to date are a combination of actuals and an estimate of the annual Encina expense prorated on a monthly basis.
- Prior year wastewater flow monitoring services and account structure changes created the variance in outside services.
- The decrease in depreciation expense for the year is a reflection of an adjustment made to reflect the true value of the asset and accumulated depreciation values on Encina's books.
- A timing difference in electric costs represent the largest factor in the miscellaneous expenses decrease.

**Outlook**

The operating results for the Enterprise currently reflect a year-to-date net income of \$727,113. Based on activity to date, it is anticipated that the Enterprise will end the year with operating income over operating expenses between \$500,000 and \$1 million. This is due to projected higher revenues in the second half of the fiscal year from a 2 percent rate increase that went into effect in January 2016 as well as projected lower than budgeted expenses.